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Diana T Fritz 02/06/2007 05:19:31 PM From DB/Inbox: Search Results

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Text:

UNCLASSIFIED

SIPDIS
TELEGRAM

July 14, 2004

To: No Action Addressee
Action: Unknown
From: AMEMBASSY ABU DHABI (ABU DHABI 2372 - PRIORITY)
TAGS: EFIN, ECON, OPDC, PREL
Captions: None
Subject: LETTER FROM THE IRAQI INTERIM GOVERNMENT TO SECRETARY
POWELL
Ref: None

UNCLAS ABU DHABI 02372

SIPDIS
CXABU:
ACTION: ECON
INFO: P/M AMB POL DCM

DISSEMINATION: ECON
CHARGE: PROG

APPROVED: CDA: RALBRIGHT
DRAFTED: ECON: ALLOO
CLEARED: ECON: CCRUMPLER

VZCZCADI312
PP RUEHC RUEHDE RUEHGB
DE RUEHAD #2372/01 1961328
ZNR UUUUU ZZH
P 141328Z JUL 04
FM AMEMBASSY ABU DHABI
TO RUEHC/SECSTATE WASHDC PRIORITY 5132
INFO RUEHDE/AMCONSUL DUBAI 4153
RUEHGB/AMEMBASSY BAGHDAD

UNCLAS SECTION 01 OF 02 ABU DHABI 002372

SIPDIS

SENSITIVE

STATE FOR SECRETARY POWELL

E.O. 12958: N/A
TAGS: [EFIN](#) [ECON](#) [OPDC](#) [PREL](#) [IZ](#) [TC](#)
SUBJECT: LETTER FROM THE IRAQI INTERIM GOVERNMENT TO SECRETARY
POWELL

REF: NONE

[1](#)1. (SBU) ON JULY 13, POST RECEIVED THE FOLLOWING CORRESPONDENCE
SIGNED BY THE IRAQI FINANCE MINISTER AND CENTRAL BANK GOVERNOR
REGARDING TREATMENT OF IRAQ'S EXTERNAL DEBT.

[1](#)2. (SBU) BEGIN TEXT:

12TH JULY 2004
H.E. MR. COLIN POWELL
SECRETARY OF STATE

SIPDIS

UNITED STATES

DEAR SIR,

WE WRITE TO YOU AS REPRESENTATIVES OF THE NEW, SOVEREIGN GOVERNMENT OF IRAQ RECOGNIZED BY UNITED NATIONS SECURITY COUNCIL RESOLUTION 1546. AS OUTLINED BY PRIME MINISTER ALLAWI, THE GOALS OF THE GOVERNMENT ARE TO MOVE QUICKLY TO ESTABLISH SECURITY, PROMOTE PROSPERITY AND MOVE FORWARD WITH A POLITICAL TRANSITION LEADING TO NATIONAL ELECTIONS IN JANUARY 2005.

TO ACHIEVE THESE GOALS, WE NEED TO CONCLUDE AN EMERGENCY POST CONFLICT ARRANGEMENT WITH THE IMF BY THE TIME OF THE OCTOBER 2-3 IMF/WORLD BANK ANNUAL MEETINGS, AS WELL AS TO FINALIZE A DEBT REDUCTION AGREEMENT IN THE PARIS CLUB BY THE END OF THIS YEAR. WE COUNT ON YOUR HELP IN ACHIEVING THESE GOALS, WHICH ARE CRITICAL TO THE SUCCESS OF OUR EFFORTS TO PROMOTE SECURITY, PROSPERITY AND POLITICAL TRANSITION.

WE WELCOME THE FACT THAT SOME CREDITORS HAVE COMMITTED TO "SUBSTANTIAL" DEBT REDUCTION AND OTHERS HAVE AGREED TO FORGIVE THE "VAST MAJORITY" OF THE DEBTS OWED BY IRAQ. WE HAVE NOTED THE COMMITMENT OF THE HEADS OF GOVERNMENT OF G8 CREDITORS TO PROVIDE DEBT REDUCTION "SUFFICIENT TO ENSURE SUSTAINABILITY, TAKING INTO ACCOUNT THE RECENT IMF ANALYSIS" AND THAT THIS REDUCTION SHOULD TAKE PLACE IN 2004.

WE BELIEVE, FOR REASONS OUTLINED BELOW, THAT THE IMF DEBT SUSTAINABILITY ANALYSIS MAKES IT INDISPUTABLY CLEAR THAT DEEP DEBT REDUCTION IS NECESSARY TO ENSURE SUSTAINABILITY. INDEED, THE IMF'S BASELINE SCENARIO INDICATES THAT REDUCTION SHORT OF 95% WOULD RESULT IN SIGNIFICANT AND PERSISTING FINANCING GAPS. MOREOVER, STANDARD STRESS TESTS USED BY THE IMF PRODUCE EVEN LARGER FINANCING GAPS. TO AVOID UNCERTAINTIES THAT WOULD IMPEDE IRAQ'S TRANSITIONS, DEBT REDUCTION SHOULD BE IMMEDIATE, COME IN ONE STAGE AND ENSURE THAT PAYMENTS ON ANY DEBT THAT REMAINS WILL BEGIN ONLY AFTER A SUITABLE GRACE PERIOD DURING WHICH IRAQ CAN FOCUS ALL ITS ENERGIES AND RESOURCES ON THE URGENT TASK OF ECONOMIC RECONSTRUCTION. RECOGNIZING THAT MUCH OF IRAQ'S DEBT IS HELD BY NON-PARIS CLUB CREDITORS, WE WILL INSIST THAT THE EFFORTS OF PARIS CLUB CREDITORS ARE FULLY MATCHED BY OTHERS SO THAT COMPARABLE TREATMENT IS ASSURED.

WE ARE NOT SURPRISED BY THE RESULTS OF THE RESULTS OF THE IMF'S DEBT SUSTAINABILITY ANALYSIS. IRAQ'S DEBT BURDEN WAS PRODUCED BY MORE THAN TWO DECADES OF DISASTROUS DECISIONS AND ACTIONS BY THE SADDAM HUSSEIN REGIME -- COSTLY WARS, MISGUIDED POLICIES THAT LED TO INTERNATIONAL SANCTIONS AGAINST IRAQ AND ISOLATION OF IRAQ FROM THE INTERNATIONAL COMMUNITY, SEVERE ECONOMIC MISMANAGEMENT, AND THEFT OF IRAQ'S PRECIOUS RESOURCES THAT BENEFITED ONLY SMALL SEGMENT OF ITS POPULATION. IN THE PAST TWO DECADES, LIVING STANDARDS FOR THE LARGE MAJORITY OF IRAQIS HAVE FALLEN DRAMATICALLY.

IRAQ FACES ENORMOUS CHALLENGES IN REBUILDING ITS ECONOMY. VITAL INFRASTRUCTURE MUST BE REBUILT, OFTEN FROM SCRATCH. LIVING CONDITIONS AND SOCIAL INDICATORS MUST BE IMPROVED. KEY ECONOMIC REFORMS WILL BE NEEDED. IRAQ'S RECONSTRUCTION, INCLUDING THE OIL SECTOR, WILL REQUIRE A LONG PERIOD OF TIME, AND WILL OCCUR AGAINST A BACKDROP OF NEWLY ESTABLISHED GOVERNMENTS THAT ARE LIKELY TO FACE SUBSTANTIAL SECURITY AND POLITICAL CHALLENGES FOR THE FORESEEABLE FUTURE. DESPITE IRAQ'S PETROLEUM RESOURCES, AFTER THREE WARS AND 13 YEARS OF INTERNATIONAL SANCTIONS, WE WILL REQUIRE SUBSTANTIAL NEW INVESTMENT, OVER MANY YEARS, TO RESTORE AND MAINTAIN THE COUNTRY'S DILAPIDATED OIL INFRASTRUCTURE, MUCH LESS TO EXPAND PRODUCTION CAPACITY.

WE BELIEVE THAT IRAQ'S RECONSTRUCTION DEPENDS NOT ONLY ON SUBSTANTIAL DEBT REDUCTION BUT ALSO WILL NEED TO BE REINFORCED BY A POLICY PROGRAM BASED ON SOUND ECONOMIC PRINCIPLES: MACROECONOMIC POLICIES, INCLUDING FISCAL DISCIPLINE AND SOUND MONETARY POLICY BASED ON PRICE STABILITY THAT ENCOURAGE PRIVATE INVESTMENT, STRUCTURAL REFORMS THAT IMPROVE ECONOMIC EFFICIENCY, TRADE AND FINANCIAL POLICIES THAT ENCOURAGE PRIVATE INVESTMENT AND REINTEGRATE OUR ECONOMY WITH THE REST OF THE WORLD, OPENNESS AND TRANSPARENCY TO HELP BUILD CONFIDENCE AND REINFORCE POLICY DISCIPLINE, AND OVERALL POLICIES THAT ADDRESS THE POOREST SEGMENTS OF IRAQ'S POPULATIONS.

IN CLOSING, WE SEEK THE SUPPORT OF YOUR GOVERNMENT FOR THE GOALS
SET FORTH IN THIS LETTER. AS THE PARIS CLUB PROCESS MOVES
FORWARD AND OUR DISCUSSIONS WITH THE IMF PROCEED ON A RAPID
BASIS, WE LOOK FORWARD TO BILATERAL DISCUSSIONS WITH YOU AS A
MEANS FOR ACCELERATING FORMATIONS OF AN INTERNATIONAL CONSENSUS
WITH RESPECT TO TREATMENT OF OUR EXTERNAL DEBT.
WE LOOK FORWARD TO WORKING CLOSELY AND COOPERATIVELY WITH YOU IN
OUR FUTURE DISCUSSIONS.

SINCERELY,
(SIGNED)
ADIL ABDU MAHDI
MINISTER OF FINANCE
REPUBLIC OF IRAQ

(SIGNED)
SINAN AL-SHABIBI
GOVERNOR, CENTRAL BANK OF IRAQ
REPUBLIC OF IRAQ

END TEXT.

13. (U) MINIMIZE CONSIDERED

ALBRIGHT